February 14, 2017

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017 (FY2016)
(Nine Months Ended December 31, 2016)

[Japanese GAAP]

Company name: Sanrio Company, Ltd.
Listed Stock Exchange: TSE 1st Section
Stock code: 8136
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Representative: Shintaro Tsuji, President and Chief Executive Officer
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Scheduled date of filing of Quarterly Report: February 14, 2017
Starting date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 14, 2017 at 16:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of FY2016 (April 1, 2016 – December 31, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Dec. 31, 2016	47,153	(14.4)	6,012	(42.3)	6,338	(40.6)	5,778	(26.9)
Nine months ended Dec. 31, 2015	55,092	(1.2)	10,422	(25.4)	10,676	(28.4)	7,899	(22.2)

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2016: (77) (- %)
Nine months ended Dec. 31, 2015: 5,205 (down 50.6%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Nine months ended Dec. 31, 2016	68.10	-
Nine months ended Dec. 31, 2015	91.85	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2016	99,317	47,706	47.9
As of Mar. 31, 2016	105,826	54,733	51.4

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2016: 47,538 As of Mar. 31, 2016: 54,407

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	-	40.00	-	40.00	80.00
FY2016	-	40.00	-		
FY2016 (forecast)				40.00	80.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecasts for FY2016 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	66,400	(8.4)	9,400	(25.8)	9,400	(28.7)	8,000	(16.7)	94.29

Note: Revisions to the most recently announced consolidated forecasts: None

* Notes

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting-based estimates: None
4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

As of Dec. 31, 2016:	89,065,301 shares	As of Mar. 31, 2016:	89,065,301 shares

2) Number of shares of treasury stock at the end of the period

As of Dec. 31, 2016:	4,218,122 shares	As of Mar. 31, 2016:	4,218,056 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	84,847,228 shares	Nine months ended Dec. 31, 2015:	86,000,486 shares

Note 1: Information regarding the implementation of quarterly review procedures

The current quarterly financial statements in this summary are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the review procedures for these quarterly financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information currently available to the Company. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 6 of the attachments for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year under review (overseas: January 1 to September 30, 2016; within Japan: April 1 to December 31, 2016), overseas business underperformed the previous year as buoyant expansion in the Southeast Asia and Chinese markets proved unable to compensate for the continuing downturn in product licensing income in the United States and Europe. The domestic business was affected by unseasonal weather and a hike in customs duties implemented by the Chinese government in April, leading to a cooling of the retail market for inbound tourists. Additionally, consumption trends moving from products to events and attractions are making the prospects for consumption more uncertain than ever.

Under these conditions, sales and profits both fell. In Japan, in addition to the high-performing events and attractions business at the Tama City theme park, the new market ventures, especially Sanrio Danshi (boys) and Aggressive Retsuko, and the characters Show By Rock!!, Gudetama and Pom Pom Purin (which ranked No. 1 in the Sanrio Character Awards for the second consecutive year) proved popular. Sales fell 14.4% year-on-year to 47.1 billion yen and operating profit 42.3% to 6.0 billion yen, ordinary profit 40.6% to 6.3 billion yen, and net profit before income taxes fell 40.2% year-on-year to 6.8 billion yen. After factoring a 0.8 billion yen gain on sales of investment securities amid a buoyant stock market in the previous fiscal year, the gain was limited to 0.4 billion yen in the current first nine months. Following the decision to make corrections in prior periods, refund of income taxes amounted to 1.1 billion yen. Accordingly, net profit attributable to owners of parent fell 26.9% year-on-year to 5.7 billion yen.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First nine months of	FY2015	FY2016	Increase/ decrease	Change %	FY2015	FY2016	Increase/ decrease	Change %
Japan	Product sales/others	300	274	(26)	(8.7)	70	46	(24)	(34.7)
	Royalties	82	73	(8)	(10.2)				
	Total	383	348	(34)	(9.0)				
Europe	Product sales/others	0	0	(0)	(54.5)	9	(3)	(12)	-
	Royalties	44	22	(21)	(49.1)				
	Total	44	22	(22)	(49.1)				
North America	Product sales/others	10	9	(1)	(10.8)	0	(3)	(4)	-
	Royalties	33	20	(12)	(38.0)				
	Total	44	30	(13)	(31.7)				
Latin America	Product sales/others	0	0	0	581.5	2	1	(0)	(34.2)
	Royalties	9	7	(2)	(27.8)				
	Total	9	7	(2)	(27.6)				
Asia	Product sales/others	17	8	(8)	(48.8)	24	22	(1)	(7.1)
	Royalties	51	53	2	4.8				
	Total	68	62	(5)	(8.6)				
Adjustment		-	-	-	-	(3)	(3)	0	-
Consolidated	Product sales/others	328	292	(36)	(11.0)	104	60	(44)	(42.3)
	Royalties	221	178	(43)	(19.5)				
	Total	550	471	(79)	(14.4)				

Note: Regional subsidiaries overseas pay the amount of royalties commensurate as the cost of sales while the Japanese parent company (the copyright holder) calculates this income as sales. Because consolidated transactions are eliminated, however, these are not included in Japan’s sales figures as stated above (although included in segment profit (operating profit)). Further, the above sales figures are “sales to customers,” and the inter-segment sales, which are not limited to the above-mentioned royalties, are eliminated as internal transaction sales.

i. Japan: Sales fell 9.0% year-on-year to 34.8 billion yen and operating profit fell 34.7% to 4.6 billion yen

Product sales in Japan performed well last year due to “binge buying” by foreign tourists in stores in city centers and the Tokyo metropolitan area. However, import duties levied by the Chinese government on goods bought overseas from April 8, 2016 have caused the average spending per customer to fall despite a rise in the number of foreign tourists. This has led to a slowdown in the retail industry, especially in department stores. In addition, within Japan, the change in consumer trends moving from products to events and attractions due to a cost-cutting mindset caused by a persistent sense of recession has become prominent. In this situation, despite brisk activity at theme parks, the continuing decline in master license fees from overseas subsidiaries and other factors has led to a fall in both sales and profits in Japan as a whole.

In the domestic product sales business, amid a downturn in consumer confidence caused by a chronic tendency to economize, the number of people making purchases and the amounts spent have continued to fall, and store sales have struggled. While there were hit products of Cinnamoroll, which celebrates its 15th anniversary this year, proved popular among the youth segment, same-store sales (based on directly owned stores and directly operated shops within department stores) decreased 6.6% year-on-year. In the future, we will focus on consumption trends and take measures to open stores in line with the needs of diverse consumers while undertaking innovative product development. This will include the promotion of attentive customer service including explanation of product characteristics to customers making store purchases; promoting the opening and remodeling of stores combining gift shops with food and drink similar to the Hello Kitty Japan store with expanded floor space that opened in DiverCity, Tokyo, in October 2016; and stores aimed at the senior segment.

In the domestic licensing business, sales and profits fell following a slump in apparel due to unseasonable weather, a slowdown in licensee shipping due to weak sales from volume retailers, and a sense of hiatus in digital content. We are offering new characters including I'm Doraemon, Littleforestfellow, and Rilu Rilu Fairilu as well as revival characters such as Pochacco and Tuxedosam and 15th anniversary designs for Cinnamoroll. Among licensed goods, cosmetic and treatment products including Johnson & Johnson's Baby Oil, DHC's supplements, ettusais' face-cleanser, and skin-care products performed well. In addition, for character licensing in new fields including Kawasaki City buses, Hato buses, the Keihan Railway, and the New Chitose Airport Terminal for transportation; space decoration for facilities; novelties for the Japan Racing Public Relations Center; and self-liquidation for Maebata Commerce, we are building up a track record of character use as we proactively expand promising markets for the future.

In the theme parks business, visitor numbers at Harmony Land in Oita prefecture fell by 51,000, or 19.7%, year-on-year during the first half due to the lingering impact of an earthquake that struck the Kumamoto region on April 14, 2016. However, third-quarter events including Halloween and the Sanrio Thanks Party as well as corporate benefits package plan products proved successful and enabled visitor numbers to grow year-on-year in a steady recovery trend. As a result, visitor numbers fell by 43,000 or 11.7%, year-on-year to total 329,000 during the first nine months of the current fiscal year. Operating profit fell due to a decline in sales accompanying falling visitor numbers despite a decrease in sales promotions and advertising expenses. Looking to the full fiscal year, we aim for a further recovery in visitor numbers through projects including a character festival in February, partial renewal of shows in March, and Easter events.

At Sanrio Puroland in Tokyo's Tama City, the all-male musical Little Hero and the Miracle Gift Parade, both of which were started in the previous fiscal year, are continuously gaining good reviews and the number of repeat visitors is increasing. As a result, sales of the annual passport rose 32% year-on-year and the number of visitors using the student on-line discount rose 29.2%. As a result, visitor numbers rose by 105,000, or 13.1%, year-on-year to total 912,000. Meanwhile, operating profits increased sharply while there were higher costs incurred through an extension of opening hours, depreciation including the creation of the parade in the previous fiscal year, and maintenance for the roof and other areas.

In the domestic theme parks business overall, sales rose 3.9% year-on-year to 5.7 billion yen and operating loss improved by 53 million yen to a total of 65 million yen.

ii. Europe: Sales fell 49.1% year-on-year to 2.2 billion yen and operating loss stood at 0.3 billion yen compared with operating income of 0.9 billion yen in the same period a year earlier.

In Europe the severe consumer environment continued, leading to a fall in sales and profits. Sales in the core apparel and toys sectors were weak but strong in the corporate promotion sector. Sales rose in some regions including Russia and the three Baltic states, but fell in the core countries of the U.K., France, Benelux (three countries comprising Belgium, the Netherlands, and Luxembourg), and Spain. Consumption in European markets continued to slump as the threat of terrorism and political confusion remaines. In this environment, we aim to follow the successful Asian model of accelerating characters exposure through promotional licenses for character cafés and corporate sales promotion (corporate promotion licenses) while holding strategic conferences in European locations with agents who negotiate with licensees on behalf of Sanrio. We also share strategies for diversifying characters including Gudetama and Mr. Men and Little Miss and strengthening brand development. Moreover, we built character recognition by participating in comic conventions hosted in each European region. We are also proceeding to maintain and strengthen the operational structure for the licensing business in local areas while aiming for a rapid business recovery.

iii. North America: Sales fell 31.7% year-on-year to 3.0 billion yen and operating loss stood at 0.3 billion yen compared with operating income of 89 million yen in the same period a year earlier.

In the United States, sales and profits fell as major volume retailers continued to reduce shelf space for the Hello Kitty licensed products amid a structure where e-commerce is expanding while brick-and-mortar stores struggle. Branded cosmetics targeting young adults proved popular but children's apparel and toys performed poorly at major volume retailers where the sales volumes are large. Regarding characters, Gudetama followed Hello Kitty to gain popularity at specialty stores and some of these stores newly started handling products, but the full-scale introduction of products has taken place from 2017. For this and other reasons, Gudetama was unable to compensate for the fall in Hello Kitty sales. We are getting a good reputation for licence products at P&G, OPI, and other companies as well as promotional licences for ventures including the Hello Kitty Cafe Trucks and sushi chain. In the future, we aim to increase exposure for characters including Hello Kitty, Chococat, and Gudetama and enhance sales and profits through promoting the hello sanrio mixed character brand.

iv. Latin America: Sales fell 27.6% year-on-year to 0.7 billion yen and operating profit fell 34.2% to 0.1 billion yen

The categories of apparel, accessories, and bags performed poorly in the key regions of Mexico and Brazil, and sales and profits declined. By region, in Argentina, the default on the national debt (non-performing loans) in July 2014 halted transactions with local agencies alongside procedures to halt remittances overseas but growth occurred as transactions with some agencies resumed. Meanwhile, in Venezuela, local business was suspended as economic and political conditions deteriorated. By category, sales grew for cosmetics, household goods, and home appliances. Sales rose 295~~195~~% year-on-year ~~after developments with~~following the provision of ~~McDonald's~~ "happy meal~~s~~" toys at ~~restaurants~~ McDonald's began in 15 countries across Latin America from June 2016. In Brazil, the four characters Hello Kitty, Kero Kero Keroppi, Chococat, and Bad Badtz-Maru were adopted in the promotional campaigns of major correspondence education companies and contributed to raising brand awareness. We aim to acquire major licensees and enhance sales and profits by expanding character recognition through opening up stores for events such as comic conventions and exploiting YouTube, Instagram, and other social networks.

v. Asia: Sales fell 8.6% year-on-year to 6.2 billion yen and operating profit fell 7.1% to 2.2 billion yen

In Hong Kong and Southeast Asia, in addition to sales of Japan-planned products being transferred for handling in the head office from the previous second quarter, the Hong Kong economy has slumped and product sales fallen due to visa restrictions imposed on visitors from the Chinese mainland. Concerning license sales, corporate promotional license sales grew in Hong Kong while product license sales for the categories of household supplies, apparel, and foodstuffs grew in Thailand, Singapore, and Malaysia, ensuring that profits increased despite sales declining throughout the region as a whole. Promotional licenses for Gudetama, especially for large-scale convenience stores, contributed to profits in Hong Kong and Thailand. In November 2016, we opened the Gudetama café in Singapore, and hosted marathon races featuring our main character in Singapore, Hong Kong, and Indonesia with a goal of acquiring licensees and enhancing brand recognition.

In South Korea, sales fell year-on-year as the consumption environment deteriorated due to an economic slump and contracts with a product sales agency came to a close. By category, a licensing contract for Gudetama with a major cosmetics company contributed to sales as cosmetic sales rose fourfold. Games and software also did well but household supplies, stationery, and apparel performed poorly. Operating profit fell as selling, general, and administrative expenses (personnel and use of assets) rose due to an increase in the number of personnel required for the licensing organizational structure, an expansion in office floor space, and costs related to licensee collaboration. Promotional licenses for ~~Happy Meal~~the kid's meal promotion~~s~~ in a leading food service industry as a measure to enhance Gudetama's brand recognition contributed to sales. Amid conditions of record visitor numbers since the opening of a Hello Kitty Island theme park in Cheju Island, we opened a second store in N Seoul Tower, which is proving popular.

In Taiwan, Gudetama license income doubled year-on-year and contributed to sales and profits. In addition to product licenses, promotional licenses for use within Taiwan's trains, at exhibitions in Kaohsiung, and elsewhere performed well. By category, stationery and accessories did badly while apparel, corporate promotion, and cosmetics performed well. The number of visitors from the Chinese mainland fell following a change of government for the first time in eight years, contributing to a sense of economic slowdown. However, we aim to grow sales and profits by constantly providing topics and maintaining interest through distribution campaigns centered on Gudetama in convenience stores and elsewhere; events such as Pom Pom Purin exhibitions following on from Gudetama exhibitions in the previous fiscal year and a Gudetama paddy field art exhibition in Tainan City; strengthening collaboration with other companies' characters; and distributing the unique new character Aggressive Retsuko.

In China, product license income from KTL fell in the accessories category due to a declining trend in the jewelry and gold industries as government policies led to rising prices of gold. License income also fell for apparel and foodstuff but rose by double digits for household supplies, shoes, cosmetics, and stationery. In March, the sale of licensed products at major global white goods manufacturers began. We are working to expand categories in such ways as doubling licensing income for the home appliance category. Meanwhile, a rise in sales and profits was ensured on local currency basis despite the increase in costs from a contract renewal with KTL. Moreover, since we have successfully acquired the trademark registration certificate in mainland China for Gudetama, which has proved popular in Taiwan and Hong Kong, we will commence product licensing from this spring although actual sales will begin in the next fiscal year. Stable market expansion in mainland China will be advanced through local subsidiaries and agency-operated shops, which will include the renewal of contracts with KTL.

Reference:

Sales and operating profit by overseas subsidiary (local currency before consolidation eliminations on an unconsolidated basis)

(Unit: thousand)	Sales			Operating profit
	Royalties	Product sales	Total	
Germany (EUR)	15,932	175	16,107	(2,381)
Year-on-year change (%)	(46.0)	(47.9)	(46.0)	-
Britain (GBP)	5,161	272	5,433	690
Year-on-year change (%)	(0.3)	26.9	0.8	(37.9)
North America (USD)	19,072	8,404	27,477	(2,981)
Year-on-year change (%)	(31.9)	(2.9)	(25.0)	-
Brazil (BRL)	23,036	166	23,202	5,785
Year-on-year change (%)	(11.5)	540.5	(11.0)	(18.1)
Chile (Peso)	34,288	-	34,288	15,806
Year-on-year change (%)	(17.0)	-	(17.0)	(51.1)
Hong Kong (HKD)	96,288	60,272	156,561	47,760
Year-on-year change (%)	18.5	(38.1)	(12.3)	12.0
Taiwan (NTD)	321,828	32,704	354,532	108,355
Year-on-year change (%)	(1.0)	(16.6)	(2.7)	(2.6)
South Korea (KRW)	6,827,776	736,573	7,564,350	1,703,655
Year-on-year change (%)	12.3	(60.4)	(4.7)	(19.7)
Shanghai (CNY)	111,388	65,582	176,970	51,930
Year-on-year change (%)	9.0	(8.7)	1.7	8.0

(2) Explanation of Financial Position

At the end of the third quarter of the current fiscal year, total assets stood at 99.3 billion yen, a decrease of 6.5 billion yen from the end of the previous fiscal year. The main decreases were 1.3 billion yen in cash and deposit, 1.2 billion yen in trade notes and accounts receivable, 2.1 billion yen in investments and other assets, and 0.9 billion yen in intangible fixed assets.

Liabilities increased 0.5 billion yen from the end of the previous fiscal year to 51.6 billion yen. The main increasing factor was long- and short-term borrowings of 2.5 billion yen. The main decreasing factors were other current liabilities of 0.9 billion yen and net defined benefit liability of 1.1 billion yen. Net assets decreased 7.0 billion yen from the end of the previous fiscal year to 47.7 billion yen. There was an increase of 5.7 billion yen in retained earnings as mainly a result of an increase from net profit attributable to owners of parent and a decrease of 6.7 billion yen in retained earnings due to dividend payments. Other decreasing factor includes 7.2 billion yen decrease in foreign currency translation adjustments. The equity ratio was 47.9%, down 3.5 percentage points from the end of the previous fiscal year.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

Regarding the overseas business, an upturn in the profit and loss situation in Europe and the Americas has been slow to appear, making the current situation more severe than at the time of the revised plan formulated when the first half results were announced in November 2016. In addition, in Hong Kong, South Korea, and Taiwan, the decline in consumption due to the fall in overseas tourist numbers is casting a shadow over the economy. Meanwhile, in mainland China and ASEAN, product and promotional licenses for multiple characters are performing well and contributing to earnings. In the theme parks business in Japan, although the number of visitors has not yet reached the year-on-year and projected ratios at Harmony Land in Oita prefecture, where the impact of the earthquake that struck Kumamoto in April 2016 lingers, Sanrio Puroland in Tama City, Tokyo has been achieving double-digit growth. In the domestic product sales business, the fall in the number of tourists visiting Japan and the amounts purchased have levelled off and bright signs have appeared. The yen’s depreciation on foreign exchange markets is expected to play a positive role in the consumption activities of tourists visiting Japan. In addition, after taking into account a refund of income taxes amounting to 1.1 billion yen in the current fiscal year due to a decision on the correction of the prior periods’ income, the Company plans to pay a year-end dividend of 40 yen per share as planned.

Reference: Overseas Sales and Profits for the Past Nine-month Periods by Area (Millions of yen)

		Sales to customers					Operating profit				
Areas	Nine months ended	Dec. 2014	Dec. 2015	Change (%)	Dec. 2016	Change (%)	Dec. 2014	Dec. 2015	Change (%)	Dec. 2016	Change (%)
North America	U.S.A.	6,595	4,417	(33.0)	3,018	(31.7)	1,630	89	(94.5)	(328)	-
Latin America	Brazil/Chile	1,457	995	(31.7)	721	(27.6)	477	276	(42.2)	181	(34.2)
Asia	Hong Kong	2,903	2,796	(3.7)	2,443	(12.6)	688	841	22.1	858	2.1
	Taiwan	1,036	1,302	25.8	1,136	(12.8)	357	427	19.4	367	(14.0)
	South Korea	809	844	4.3	715	(15.3)	298	228	(23.5)	161	(29.2)
	China	783	1,922	145.4	1,981	3.1	661	929	40.6	866	(6.8)
	Subtotal	5,533	6,867	24.1	6,277	(8.6)	2,006	2,426	20.9	2,254	(7.1)
Europe	Germany	5,955	4,034	(32.3)	1,951	(51.6)	1,806	893	(50.5)	(291)	-
	Britain	517	460	(11.2)	334	(27.4)	172	57	(66.7)	(50)	-
	Subtotal	6,473	4,494	(30.6)	2,285	(49.1)	1,979	951	(51.9)	(341)	-
Total		20,059	16,774	(16.4)	12,302	(26.7)	6,094	3,743	(38.6)	1,766	(52.8)

2. Matters Related to Summary Information (Notes)

(1) Changes in Consolidated Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Law, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on earnings in the first nine months of the current fiscal year is insignificant.

(4) Additional Information

Application of Guidance on Recoverability of Deferred Tax Assets

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	Third quarter of FY2016 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposit	41,080	39,773
Trade notes and accounts receivable	9,433	8,156
Merchandise and finished goods	4,158	4,835
Work in process	14	44
Raw materials and supplies	128	154
Other accounts receivable	1,326	1,119
Other	1,802	1,556
Allowance for doubtful accounts	(186)	(86)
Total current assets	57,757	55,553
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	6,909	6,617
Land	9,878	9,629
Other, net	1,957	2,001
Total tangible fixed assets	18,744	18,248
Intangible fixed assets	5,200	4,283
Investments and other assets		
Investment securities	11,980	11,752
Deferred tax assets	4,530	3,679
Other	9,576	7,447
Allowance for doubtful accounts	(2,026)	(1,703)
Total investments and other assets	24,060	21,176
Total fixed assets	48,006	43,708
Deferred assets	62	55
Total assets	105,826	99,317
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,019	5,593
Short-term borrowings	5,600	7,723
Accrued income taxes	998	554
Allowance for bonuses	510	146
Provision for point card certificates	100	108
Provision for shareholder benefit program	54	-
Reserve for adjustment of returned goods	55	66
Other	10,683	9,723
Total current liabilities	23,022	23,916
Long-term liabilities		
Corporate bonds	5,225	5,385
Long-term borrowings	7,516	7,926
Net defined benefit liability	12,161	11,059
Other	3,166	3,324
Total long-term liabilities	28,070	27,694
Total liabilities	51,092	51,611

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	Third quarter of FY2016 (As of Dec. 31, 2016)
Net assets		
Shareholders’ equity		
Capital	10,000	10,000
Capital surplus	3,423	3,423
Retained earnings	55,950	54,941
Treasury stock	(11,789)	(11,789)
Total shareholder’s equity	57,585	56,575
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(369)	293
Deferred hedge gain (loss)	(39)	(4)
Foreign currency translation adjustments	2,458	(4,757)
Remeasurements of defined benefit plans	(5,227)	(4,568)
Total accumulated other comprehensive income	(3,177)	(9,036)
Stock acquisition rights	162	-
Non-controlling interests	164	167
Total net assets	54,733	47,706
Total liabilities and net assets	105,826	99,317

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2015 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)
Sales	55,092	47,153
Cost of sales	18,911	16,378
Gross profit	36,180	30,775
Reversal from reserve for adjustment of returned goods	19	11
Net gross profit on sales	36,161	30,764
Selling, general and administrative expenses	25,739	24,751
Operating profit	10,422	6,012
Non-operating profit		
Interest income	330	338
Dividend income	146	110
Foreign exchange gains	28	-
Other income	194	220
Total non-operating profit	700	669
Non-operating expenses		
Interest expense	193	160
Foreign exchange loss	-	32
Commission fee	176	91
Other	75	59
Total non-operating expenses	445	344
Ordinary profit	10,676	6,338
Extraordinary gains		
Gain on sales of fixed assets	0	0
Gain on sales of investment securities	834	439
Gain on reversal of stock acquisition rights	-	162
Total extraordinary gains	835	602
Extraordinary losses		
Loss on disposal of fixed assets	21	33
Impairment loss	8	24
Other	-	13
Total extraordinary losses	30	72
Net profit before income taxes	11,481	6,867
Income taxes – current	3,110	1,884
Refund of income taxes	-	(1,125)
Income taxes – deferred	442	299
Total income taxes	3,553	1,058
Net profit	7,928	5,809
Net profit attributable to non-controlling interests	28	31
Net profit attributable to owners of parent	7,899	5,778

Consolidated Comprehensive Income Statements
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2015 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)
Net profit	7,928	5,809
Other comprehensive income		
Net unrealized gain (loss) on other securities	(206)	662
Deferred hedge gain (loss)	(24)	35
Foreign currency translation adjustments	(2,770)	(7,244)
Remeasurements of defined benefit plans, net of tax	279	659
Total other comprehensive income	(2,722)	(5,887)
Comprehensive income	5,205	(77)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,176	(80)
Comprehensive income attributable to non-controlling interests	29	3

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. First nine months of FY2015 (Apr. 1, 2015 – Dec. 31, 2015)

1 .Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	38,318	4,494	4,417	995	6,867	55,092	-	55,092
(Royalty income)	(8,219)	(4,446)	(3,385)	(995)	(5,153)	(22,199)	(-)	(22,199)
Inter-segment	6,648	59	13	8	1,945	8,674	(8,674)	-
(Royalty income)	(6,334)	(59)	(-)	(-)	(29)	(6,422)	((6,422))	(-)
Total	44,966	4,553	4,430	1,004	8,812	63,767	(8,674)	55,092
Segment profit	7,071	951	89	276	2,426	10,814	(392)	10,422

Notes: 1. The minus 392 million yen adjustment to segment profit is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statements.

2. Information related to impairment losses on fixed assets, goodwill, etc. for each reportable segment
Detailed explanations are omitted due to immateriality of the amount.

II. First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	34,850	2,285	3,018	721	6,277	47,153	-	47,153
(Royalty income)	(7,380)	(2,264)	(2,098)	(718)	(5,399)	(17,861)	(-)	(17,861)
Inter-segment	5,616	35	4	3	1,258	6,917	(6,917)	-
(Royalty income)	(5,487)	(35)	(-)	(-)	(1)	(5,524)	((5,524))	(-)
Total	40,467	2,321	3,022	724	7,535	54,070	(6,917)	47,153
Segment profit (loss)	4,618	(341)	(328)	181	2,254	6,385	(372)	6,012

Notes: 1. The minus 372 million yen adjustment to segment profit (loss) is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.

2. Segment profit (loss) is adjusted to be consistent with operating profit shown on the consolidated income statements.

2. Information related to impairment losses on fixed assets, goodwill, etc. for each reportable segment
Detailed explanations are omitted due to immateriality of the amount.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.